

NEWS RELEASE

MARKET SENSITIVE INFORMATION

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# HCOB Flash France PMI<sup>®</sup>

## Strong expansion in services activity drives best month of growth in French economy since March 2023

### Key findings:

HCOB Flash France Composite PMI Output Index<sup>(1)</sup> at 52.7 (Jul: 49.1). 17-month high.

HCOB Flash France Services PMI Business Activity Index<sup>(2)</sup> at 55.0 (Jul: 50.1). 27-month high.

HCOB Flash France Manufacturing PMI Output Index<sup>(4)</sup> at 42.1 (Jul: 44.9). 7-month low.

HCOB Flash France Manufacturing PMI<sup>(3)</sup> at 42.1 (Jul: 44.0). 8-month low.

Data were collected 12-20 August

France's private sector registered its first month of expansion since April during August, latest HCOB PMI<sup>®</sup> survey data revealed, with the overall pace of growth at its quickest since March 2023 as a strong upturn in services activity propelled the broader economy. This came despite an intensification of manufacturing malaise, as factory orders fell at the steepest pace in over four years. Indeed, aside from the headline index's improvement, August PMI data highlighted fragility across France's economy. Private sector employment decreased for the first time since January, while overall new business also shrank. Expectations for growth over the next 12 months also slipped to their weakest in almost a year.

The headline **HCOB Flash France Composite PMI Output Index** rose by over three points in August to 52.7, from 49.1 in July. Notably, this marked the first time since April that the index has posted above 50.0 and therefore in territory indicative of business activity growth. August's expansion was relatively solid overall and broadly in line with the survey's long-run average. In addition, the increase in output signalled by the headline figure was the strongest since March 2023.

Sector data showed the uplift in private sector output was exclusively driven by services. Activity at French service providers grew markedly and at the fastest pace in over two years. Greater customer numbers were frequently cited as a reason for increased output, anecdotal evidence showed. Moreover, the expansion in services was more than enough to offset a deeper decline in manufacturing production. Factory output decreased at the fastest pace since January amid the most rapid deterioration in demand for French goods since May 2020.

A renewed rise in demand for French services – that was also the quickest in 16 months – could only dampen the impact of France's factory order contraction. As such, total new business intakes across the French private sector declined for a third successive month in August. The decrease was marginal, however.

Backlogs of work were depleted further midway through the third quarter of the year, with both sectors recording lower levels of outstanding business. Quicker declines were seen at both manufacturers and service providers, leading to the fastest combined pace of decrease for seven months. Subdued demand conditions enabled businesses to clear backlogs of work more efficiently, qualitative responses from panellists showed.

After a six-month spell of job creation, net private sector employment in France declined during August. Lower staffing capacity was a result of job shedding in manufacturing, more detailed data showed, as factory workforce numbers were reduced at the fastest pace in over four years. Although services employment rose, it did so only marginally and to the weakest extent since January.

French private sector companies' expectations for output in the coming 12 months remained positive on balance, although the

level of optimism weakened in August to its lowest in just shy of a year. The outlook differed by sector, with manufacturers at their most pessimistic since October 2023. Service providers retained expectations for activity growth, although the level of positive sentiment slipped to a nine-month low. Political uncertainty, challenging conditions in the real estate industry and high interest rates were cited by firms as reasons to be downbeat.

Cost pressures across the French private sector cooled in August. After quickening in July to an eight-month high, the rate of input price inflation eased to a three-and-a-half-year low. Both sectors recorded softer increases in their costs, although manufacturers continued to see more intense price pressures than their services counterparts. While input cost inflation cooled, prices charged for French goods and services rose at a stronger pace midway through the third quarter. The increase in output charges was the fastest since January.

### Comment

Commenting on the flash PMI data, Norman Liebke, Economist at Hamburg Commercial Bank, said:

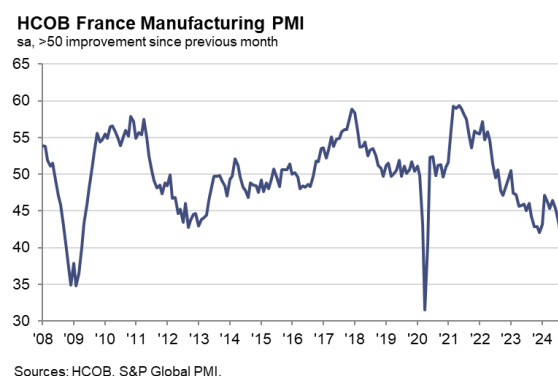
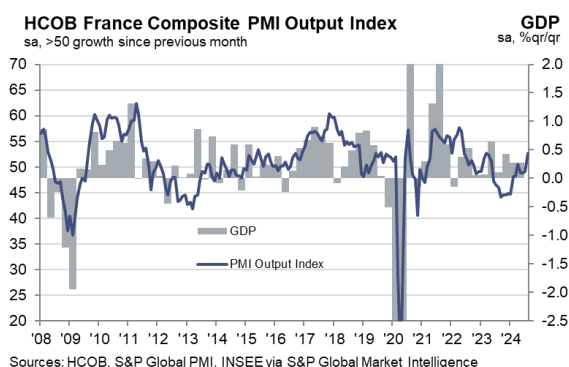
*“The French economy will likely grow 0.5% in the third quarter. The HCOB France Flash PMI for August indicates an improvement in economic conditions, with the Composite PMI jumping over three index points to 52.7. This can be tracked back exclusively to the service sector, with the business activity index rising almost five points. It should be emphasized that August is likely an outlier due to the Olympic Games. However, the manufacturing sector continues to struggle, with production declining even more sharply than in July.”*

*“Service providers will have benefited from the Olympic Games. The HCOB Flash PMI for French services activity jumped to 55.0, its highest level since the second quarter of 2022 when GDP growth reached 0.4%. The one-off nature of this boost is evident in the worsening employment situation, weaker output expectations and declining backlogs of work.”*

*“French manufacturers are still struggling with weak demand. New orders declined for yet another month and at the fastest pace since the COVID-19 pandemic. Given the decline in new export sales slowed, we can infer that the accelerated drop in total new orders was domestically driven. However, factory prices increased at the quickest rate since March 2023. More fittingly, the manufacturing employment situation worsened for another month, with jobs in the sector being shed by the largest margin since May 2020.”*

*“French companies are facing bleak prospects. The corresponding HCOB Flash PMI for output expectations in the coming twelve months declined almost four index points. This decline was broad-based across the service and manufacturing sectors, but more pronounced in the latter. Service providers may have revised their output expectations lower because business activity was unusually high during July and August, most likely fuelled by the Olympic Games.”*

-Ends-



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**Note to Editors**

Final August data are published on 2 September for manufacturing and 4 September for services and composite indicators.

The HCOB France PMI (Purchasing Managers' Index) is produced by S&P Global and is based on original survey data collected from a representative panel of around 750 companies based in the French manufacturing and service sectors. The flash estimate is based on around 85% of total PMI survey responses each month and is designed to provide an accurate advance indication of the final PMI data.

The average differences between the flash and final PMI index values (final minus flash) since comparisons were first available in January 2006 are as follows (differences in absolute terms provide the better indication of true variation while average differences provide a better indication of any bias):

| Index   | Average difference | Average difference in absolute terms |
|---|--------------------|--------------------------------------|
| Composite Output Index <sup>1</sup>           | -0.1               | 0.4                                  |
| Manufacturing PMI <sup>3</sup>                | 0.1                | 0.3                                  |
| Services Business Activity Index <sup>2</sup> | -0.1               | 0.5                                  |

The Purchasing Managers' Index™ (PMI®) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI® surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

S&P Global do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from S&P Global. Please contact [economics@spglobal.com](mailto:economics@spglobal.com).

**Notes**

1. The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.
2. The Services Business Activity Index is the direct equivalent of the Manufacturing Output Index, based on the survey question "Is the level of business activity at your company higher, the same or lower than one month ago?"
3. The Manufacturing PMI is a composite index based on a weighted combination of the following five survey variables (weights shown in brackets): new orders (0.3); output (0.25); employment (0.2); suppliers' delivery times (0.15); stocks of materials purchased (0.1). The delivery times index is inverted.
4. The Manufacturing Output Index is based on the survey question "Is the level of production/output at your company higher, the same or lower than one month ago?"

### Hamburg Commercial Bank AG

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### About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. <https://www.spglobal.com/marketintelligence/en/mi/products/pmi.html>

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